

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
SUMMARY OF BENEFITS
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Purpose (A.R.S. §38-841)

To provide a uniform, consistent and equitable statewide program for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona, or a political subdivision of this State. Membership consists of those eligible employees who are employed by an employer who entered the system in 1968 or who has entered into an agreement to join the System on behalf of an eligible group.

Eligibility (A.R.S. §38-842.14)

Full-time paid firefighters, whose customary employment is at least 40 hours per week, of a participating employer who is or was regularly assigned to hazardous duty of the type normally expected of a firefighter and full-time paid certified peace officers, whose customary employment is at least 40 hours per week, of a participating employer who is or was regularly assigned to hazardous duty of the type normally expected of a certified peace officer.

Contributions (A.R.S. §38-843)

Each member shall contribute 7.65% of compensation to the system on a pre-tax basis by payroll deduction. Each employer shall contribute a level percent of compensation as determined by actuarial valuation to ensure proper funding for the system. Beginning July 1, 2006, the minimum employer contribution rate shall not be less than 8% of compensation. For any employer whose actual contribution rate is less than 8% of compensation for fiscal year 2006-2007, that employer's contribution rate is not subject to the 8% minimum but, for fiscal year 2006-2007 and each year thereafter, shall be at least 5% and not more than the employer's actual contribution rate.

Credited Service (A.R.S. §38-842.9)

The member's total period of service before the member's effective date of participation, plus those compensated periods of the member's service thereafter for which the member made contributions to the fund.

Average Monthly Compensation (A.R.S. §38-842.4)

One thirty-sixth of total compensation paid a member during the highest three consecutive years out of the last 20 years of credited service.

Compensation (A.R.S. §38-842.8)

For purposes of computing retirement benefits, base salary, overtime pay, shift differential pay and holiday pay paid to an employee by the employer on a regular monthly, semimonthly or bi-weekly payroll basis and longevity pay paid to an employee at least every six months for which contributions are made to the System. Compensation does not include payments for unused sick leave, payment in lieu of vacation payment for compensatory time or payment for any fringe benefits. For the purposes of this paragraph, "base salary" means the amount of compensation each employee is regularly paid for personal services rendered to an employer before the addition of any extra monies, including overtime pay, shift differential pay, holiday pay, longevity pay,

fringe benefit pay and similar extra payments.

Normal Retirement Date (A.R.S. §38-842.21)

First day of month immediately following completion of 20 years of service, or following 62nd birthday and completion of 15 years of service.

The amount of monthly normal pension is based on credited service and average monthly compensation as follows:

For retirement with 20 years of credited service but less than 25 years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2% of average monthly compensation for each year of credited service between 20 and 25. (A.R.S. §38-845.A.2)

For retirement with 20 years of service, but less than 20 years of credited service, the pension is reduced by a rate of 4% per year for each year of credited service under 20 years. (A.R.S. §38-845.A.1)

For retirement with 25 or more years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2-1/2% of average monthly compensation for each year of credited service above 20 years, up to a maximum of 80% of average monthly compensation. (A.R.S. §38-845.A.2)

Deferred Retirement Option Plan (DROP) (A.R.S. §§38-844.02 through 38-844.09)

A member with 20 or more years of credited service under the System may enter into the DROP program with his employer. Under the DROP program, the member must voluntarily and irrevocably elect to enter into the program with his employer for a period of up to 60 months. During the DROP period, the member remains in the employ of the employer as a full-time paid firefighter or full-time paid certified peace officer but no member or employer contributions are made to the System, therefore no additional years of credited service are accrued on the member's behalf. The member's monthly pension is calculated based upon the years of credited service and average monthly compensation at the beginning of the DROP period. This monthly pension amount is credited to a DROP participation account with interest at the rate of 8.5% annually, but credited monthly to the account. At the end of the DROP period or prior to that time if the member terminates employment, the monies in the DROP participation account will be either paid to the member in a lump-sum amount or paid in a lump-sum distribution to an eligible retirement plan or individual retirement account. The member will then begin receiving the monthly pension amount directly from the System in the same amount as was being credited to the DROP participation account.

Reverse DROP (A.R.S. § 38-844.10)

A member with 20 or more years of credited service under the System, who has not elected to participate in the DROP, may elect to participate in the Reverse DROP. Under the Reverse DROP, the member must voluntarily and irrevocably elect to terminate employment and receive a normal retirement upon participation in the Reverse DROP. The member elects a "Reverse DROP Date" that is the first day of the month immediately following completion of 20 years of credited service or a date not more than 60 consecutive months before the date the member elects to participate in the Reverse DROP, whichever is later. The member's pension will be calculated using the factors of credited service and average monthly benefit compensation in effect on the Reverse DROP Date. In addition, a lump sum distribution reflecting an amount that is credited as though accrued monthly from the Reverse DROP Date to the date the member elected to participate in the Reverse DROP is paid out. This amount is credited with an interest rate of 3.5% annually, as opposed to the current DROP interest rate of 8.5%,

and can either be paid to the member or paid to an eligible retirement plan or individual retirement account. Neither the member, nor the employer, is entitled to a refund of contributions made between the Reverse DROP Date and the date the member elects to participate in the Reverse DROP.

Deferred Retirement (A.R.S. §38-846.01)

A member with at least 10 years of credited service, who terminates employment, may elect to leave their contributions in the System and receive a deferred retirement allowance, commencing at age 62. Pension is a lifetime monthly annuity, based on twice the amount of the member's contributions. Under this option, there is no survivor benefit payable. The benefit is forfeited if the member elects a refund of their contributions.

Accidental Disability Retirement (Service Connected) (A.R.S. §38-842.1, §38-845.B and §38-844.B)

Total and permanent disability incurred in performance of duty, preventing performance of a reasonable range of duties within the employee's job classification. No credited service requirement. The pension is 50% of average monthly compensation or normal pension amount, whichever is greater.

Catastrophic Disability Retirement (Service Connected) (A.R.S. §38-842.5, §38-845.E, §38-844.C and F)

Physical, and not a psychological, condition incurred in performance of duty, which totally and permanently prevents engaging in any gainful employment. No credited service requirement. The pension is 90% of average monthly compensation for first 60 months, then reduced to either 62.5% of average monthly compensation or normal pension amount, whichever is greater.

Ordinary Disability Retirement (Not Service Connected) (A.R.S. §38-842.22, §38-845.C and §38-844.B)

Physical condition: Total and permanent disability preventing performance of a reasonable range of duties within the employee's department, prior to normal retirement date. Mental condition: Total and permanent disability preventing any substantial gainful activity, prior to normal retirement date. Benefit is a percentage of normal retirement. The percentage is computed based on the employee's years of credited service divided by 20.

Offset Of Ordinary Disability Pension (A.R.S. §38-844.H)

Before the member's normal retirement date, an ordinary disability pension will be reduced if the retiree engages in any employment and the income from this employment is greater than the retiree's pension. The reduction is equal to the difference between the retiree's income from employment and the retiree's pension.

Temporary Disability (Service Connected) (A.R.S. §38-844.J and §38-842.29)

Total and presumably temporary disability, incurred in performance of duty, prior to normal retirement, preventing performance of a reasonable range of duties within the employee's department. No credited service requirement. Monthly pension is one-twelfth of 50% of annual compensation at time of disability. Payments terminate after 12 months or return to work. Member must terminate employment to receive this benefit.

Survivor Pension (A.R.S. §38-846)

The survivors of members, who die in service, or after retirement, are eligible for benefits as follows: No credited service requirement.

Spouse's Pension – Four-fifths (80%) of the pension the deceased active member would have been paid for accidental disability retirement, or in the case of retired member, four-fifths (80%) of retired member's pension. Requires two years of marriage for a retired member's spouse. Terminates on death. For a member killed in the line of duty, the spouse's pension is 100% of deceased member's average monthly benefit compensation, less any amount payable for an eligible child. (A.R.S. §38-846.A and B)

Child's Pension - One-tenth of pension deceased active member would have been paid for accidental disability retirement (equal shares of two-tenths if more than two children), or, in the case of a retired member, one-tenth of the retired member's pension (equal shares of two-tenths if more than two children). Eligible child must be unmarried, a dependent of the surviving spouse or guardian and either under the age of 18 or a full-time student under the age of 23 or under a disability which began before the age of 23. (A.R.S. §38-842.13 and 38-846.E)

Guardian's Pension - Same amount as spouse's pension. Payable only during periods no spouse is being paid and there is at least one eligible child. (A.R.S. §38-846.C and D)

Death Benefit (A.R.S. §38-846.F)

If a member has accumulated contributions remaining in the System at the date of death of the last pension recipient the remaining accumulated contributions are payable to the beneficiary named by the member.

Termination Refund (A.R.S. §38-846.02)

Upon termination of employment, for any reason other than death or retirement, a member shall, within 20 days after filing an application with the Fund Manager, receive a lump-sum payment, equal to his accumulated contributions, as of the date of termination, less any benefits paid or any amounts owed to the System. A member forfeits all membership rights and credited service in the System upon receipt of refund of contributions.

If the member has five or more years of credited service upon termination they shall receive an additional amount according to the schedule below:

5 to 5.9—25% of member contributions deducted from the member's salary pursuant to ARS 38843.C

6 to 6.9—40% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

7 to 7.9—55% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

8 to 8.9—70% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

9 to 9.9—85% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

10 or more—100% of member contributions deducted from the member's salary pursuant to ARS 38-843.C plus interest at 3% if left on deposit after 30 days.

Transfer Of Contributions To Another Employer (A.R.S. §38-853) (Use Form P1A)

A member who terminates employment with an employer and accepts, within two years, a position with the same, or another employer participating in the System, shall have the credited service transferred to the member's record with the new employer, provided the member leaves the accumulated contributions on deposit with the Fund. The termination of employment shall not constitute a break in service; however, the period not employed shall not be considered as service.

Reemployment and Repayment Of Contributions (A.R.S. §38-849.C) (Use form P1B)

Members who terminate and take a refund of their contributions may elect, only upon reemployment with the same employer, to recover their prior service. To recover this prior service, their re-employment must be within two years from date of termination and they sign a written election within 90 days after re-employment to reimburse the Fund within one year the amount of monies refunded plus interest at the rate of 9%.

Reemployment After Retirement (A.R.S. §38-849.D)

A retired member who is reemployed by an employer shall not make contributions nor accrue credited service during the period of reemployment. However, if the employer from which the member retired reemploys the retired member in the same position, the retired member's pension is suspended during the period of reemployment.

Transfer Into Or Out Of System (A.R.S. §38-855)

A member who changes employment or transfers or is assigned to a non-eligible position because of a change in duties or otherwise may elect one of the following options:

1. Leave service credits and contributions on account with the PSPRS, except that after two years, the member must request a refund of his accumulated contributions or transfer his credited service to another state retirement plan or system.
2. Apply for refund of accumulated member contributions (forfeiting all service credits and membership rights).
3. Transfer all service credits to the Arizona retirement system or plan applicable to the new position pursuant to the requirements for transfer between Arizona state retirement systems.

A member who begins employment with a participating employer in this System and who has credited service from a different Arizona state retirement system may transfer or redeem his prior service to this System pursuant to the requirements for transfer between Arizona state retirement systems.

Redemption Of Prior Service (A.R.S. §38-853.01.A) (Use Form P2)

Active members who had previous service in this state in a covered position with an employer now participating in the system or had previous service as a full-time paid fire-fighter or full-time paid certified peace officer with an agency of the U.S. Government, a state of the U.S. or a political subdivision of a state of the U.S., may elect to redeem any part of the prior service by paying into the system the amounts required in A.R.S. §38-853.01.B., if the prior service is not on account with any other retirement system.

Purchase Of Prior Active Military Service (A.R.S. §38-858) (Use Form 18)

A member may purchase up to four years of prior active military time even if the member will receive a military pension.¹ The member must pay the actuarial present value of the increase of credited service resulting from this purchase.

¹ For further information, see USERRA, Fact Sheet 3, at www.dol.gov/vets/programs/userra/userra_fs.htm

Transfer Between State Retirement Systems (A.R.S. §38-921, §38-922) (Use Form U2)

Members of any of the four Arizona state retirement systems or plans who have credited service under another Arizona state retirement system or plan may transfer or redeem the credited service to their current Arizona state retirement system or plan by paying or transferring the actuarial present value of the credited service into their current Arizona retirement system or plan to the extent funded on a market value basis as of the most recent actuarial valuation with approval of the Fund Manager or retirement boards involved. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan to the extent funded on a market value basis as of the most recent actuarial valuation.

Transfer of Service Credits Between Municipal Retirement Systems and Special Retirement Plans: definitions (A.R.S. § 38-923, § 38-924).

An active or inactive member of a retirement system or plan of a municipality of this state or the PSPRS or CORP may transfer the credited service to their current retirement system or plan. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan.

Cola Benefit Increases (A.R.S. §38-856)

Effective July 1 of each year, each retired member or survivor of a retired member may be entitled to a permanent benefit increase in their base benefit. The maximum amount of the increase is four percent (4%) of the average normal PSPRS benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

Health Insurance Premium Subsidy (A.R.S. §38-857)

For PSPRS retirees or survivors who have elected group health and accident insurance coverage provided and administered by this state or another PSPRS employer, the PSPRS will pay up to the following amounts:

Single		Family		
Not Medicare Eligible	Medicare Eligible	All Not Medicare Eligible	All Medicare Eligible	One with Medicare
\$150.00	\$100.00	\$260.00	\$170.00	\$215.00

Through June 30, 2007, a retiree or survivor who is eligible for medicare and who lives in a nonservice area receives up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A nonservice area is defined as an area in this state where the state retiree group insurance program or employer's retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible. The subsidy consists of up to the following amounts:

Single	Family	
Medicare Eligible	Retired Member and one dependent Medicare Eligible	Only Retired Member Medicare Eligible
\$170.00 <u>after</u> \$100.00 paid out-of-pocket	\$350.00 <u>after</u> \$200.00 paid out-of-pocket	\$470.00 <u>after</u> \$400.00 paid out-of-pocket

State Taxation Of PSPRS Benefits (A.R.S. §38-852 and §43-1022)

Effective tax year commencing January 1, 1989, all PSPRS retirement benefits in excess of \$2500 annually will be subject to Arizona state tax.

Purchase Of Handgun Or Shotgun (A.R.S. §38-845)

A PSPRS retiree has the ability to purchase the handgun or shotgun issued by the employer to the member at less than fair market value, subject to approval of the employer.